Health and Productivity Management

April 2023

Commerce and Service Industry Policy Group

Ministry of Economy, Trade and Industry
## Aging Society: Estimate for 2060

### Aging rate: Ratio of the population aged 65 and over to the total population

<table>
<thead>
<tr>
<th>Country</th>
<th>In 2060</th>
</tr>
</thead>
<tbody>
<tr>
<td>1  Japan</td>
<td>38.1</td>
</tr>
<tr>
<td>2  Korea</td>
<td>37.1</td>
</tr>
<tr>
<td>3  Taiwan</td>
<td>36.8</td>
</tr>
<tr>
<td>4  Singapore</td>
<td>35.8</td>
</tr>
<tr>
<td>5  Portugal</td>
<td>35.8</td>
</tr>
<tr>
<td>6  Poland</td>
<td>35.6</td>
</tr>
<tr>
<td>7  Greece</td>
<td>35.5</td>
</tr>
<tr>
<td>8  Spain</td>
<td>35.3</td>
</tr>
<tr>
<td>9  Hong Kong</td>
<td>35.0</td>
</tr>
<tr>
<td>10 Italy</td>
<td>33.4</td>
</tr>
</tbody>
</table>

Source: Partially adapted the data from Mr. Toshihiko Hasegawa, President of the Institute for Organization for Advanced Healthcare Innovation
Long-Term Trends and Future Estimates of the Total Population

Japan’s total population is likely to return to the level it was 100 years ago (in the late Meiji period) in the next 100 years. This change has been unprecedented in the past 1,000 years, with a very rapid decline.

⇒ It is essential to promote investment in health, enhance working generations’ vitality, and extend healthy life expectancy, etc.

Source: Population figures before 2010 were prepared by the National Spatial Planning and Regional Policy Bureau, Ministry of Land, Infrastructure, Transport and Tourism,* based on the “National Census” (Ministry of Internal Affairs and Communications) and the “Long-term Time-series Analysis of Population Distribution Change in the Japanese Archipelago” (National Land Agency, 1974). The population figures since then were prepared by the National Spatial Planning and Regional Policy Bureau, Ministry of Land, Infrastructure, Transport and Tourism,* based on “Population Projections for Japan (January 2012)” (National Institute of Population and Social Security Research)

(万人)

(万人)

(年)

- Social security benefits have increased in all sectors (health care, pensions, long-term care, and others).

### Social Security Benefits (trillion yen)

<table>
<thead>
<tr>
<th>Year</th>
<th>Healthcare (% of GDP, right axis)</th>
<th>Care (% of GDP, right axis)</th>
<th>Pension (Object GDP ratio, right axis)</th>
<th>Welfare and others (Excluding nursing care)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1965</td>
<td>20</td>
<td>40</td>
<td>60</td>
<td>80</td>
</tr>
<tr>
<td>1970</td>
<td>30</td>
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<td>100</td>
<td>120</td>
<td>140</td>
<td>160</td>
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<tr>
<td>2010</td>
<td>110</td>
<td>130</td>
<td>150</td>
<td>170</td>
</tr>
<tr>
<td>2015</td>
<td>120</td>
<td>140</td>
<td>160</td>
<td>180</td>
</tr>
</tbody>
</table>

### Social Security Benefit Payments (% of GDP)

- Pension
- Care
- Welfare and others (Excluding nursing care)
- Healthcare

Figures for social security benefits in ILO standards.

Pension" includes public pensions such as welfare pensions and national pensions, pension benefits, and pension benefits of workers' compensation insurance. Long-term care measures" include long-term care insurance benefits, long-term care assistance under public assistance, partial contribution under the Long-Term Care Insurance Law for A-bomb Survivors, and long-term care leave benefits. Since 2000, when the long-term care insurance system was introduced, "long-term care measures" were separated from "welfare and others.

(Source: Compiled by the National Institute of Population and Social Security Research, "Social Security Cost Statistics for Fiscal Year 2008")
Our approaches to creating and developing the healthcare industry

**demand side**

1. Promotion of “Health and Productivity Management”, (H&PM)
   (Organizations see employee health as an investment, not a cost, and promote it as part of human capital investment.)

**supply side**

2. Creating new services using Personal Health Records (PHR): Physical checkup results and daily pulse rate and step count data
3. Promoting social implementation through ensuring the reliability of healthcare services
4. Support for venture promotion and international expansion

Promotion of public health

Contributing to building a sustainable social security system

Economic growth
Promotion of “Health and Productivity Management”

- H&PM refers to the strategic efforts to maintain and promote the health of employees, understanding they are investments to enhance the profitability, etc. from the view point of business management.

**Corporate philosophy (management based on long-term vision)**

- Revitalization of organization
  - Improvement of productivity

- Acquisition and expansion of sources of innovation

- Improvement of productivity

- Energizing employees

- Investment in human capital (Investing in employee health)

- Improve basic strength to solve management issues

- Enhance corporate growth potential

- Recruiting talents
  - Improving the retention rate

- Effects to organizations
  - Enhancing people’s quality of life
  - Creation of the healthcare industry
  - Realization of the national medical expenses that should be

- Effects to society

**Enhancement of performance & corporate value**
## Overview of H&PM Application

### Evaluation Framework of H&PM Survey

<table>
<thead>
<tr>
<th>Four Criteria</th>
<th>Main contents &lt;Examples&gt;</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Management philosophy</td>
<td>➢ Commitment of top management</td>
</tr>
<tr>
<td>2. Organizational frameworks</td>
<td>➢ Participation in the study of health measures by industrial physicians and public health nurses</td>
</tr>
<tr>
<td>3. Systems and measures</td>
<td>➢ Identify employee health issues</td>
</tr>
<tr>
<td></td>
<td>➢ Conduct training to improve health literacy</td>
</tr>
<tr>
<td></td>
<td>➢ Measures: improve diet habit, promote exercise opportunities, respond to mental health disorders, and measures against passive smoking, etc.</td>
</tr>
<tr>
<td>4. Evaluations and improvements</td>
<td>➢ Verification of the effects of the measures</td>
</tr>
<tr>
<td></td>
<td>➢ Improvement of measures based on the results</td>
</tr>
</tbody>
</table>

### Examples of measures

- **Financial support for gym use**
- **Provision of wearable devices**
- **Health promotion seminars**
- **Subsidies for medical checkups**
There are certification programs for H&PM organizations in JAPAN.

METI and Tokyo Stock Exchange jointly conduct H&PM Stock Selection.

Visualization of organizations working on H&PM thru award program

- Large organizations, etc.
- SMEs, etc.

H&PM Stock Selection

Certified H&PM organization (Large Org (White 500))

Certified H&PM Organization (Large organizations)

H&PM survey responded organizations

Top 500 organizations

Large organizations (10,000 or more)

Certified H&PM organization (SMEs (Bright 500))

Certified H&PM organization (SMEs)

Organizations and offices to engage in the Health-conscious Management Declaration

Top 500 organizations

SMEs (3 million or more)
Growth of METI’s H&PM Initiative in JAPAN

- Since the start of the program, the base of companies engaging in H&PM has expanded rapidly.
- In FY2022, there were a total of 17,570 applications in the large and small business categories.

**Large corporations, etc.**

- Number of survey responses
- Number of certified corporations

**Small and medium businesses, etc.**

- Number of applications
- Number of certified corporations

◆ Operated by Nikkei Inc. since FY2022.
Method for selecting enterprises under the 2023 Health & Productivity Stock Selection

- METI and TSE have jointly been selecting outstanding listed enterprises engaging in a health and productivity management program, in which enterprises focus on and strategically carry out efforts with regard to their employees' and other workers' health from a management perspective, and recognizing them as brands under the Health & Productivity Stock Selection.

**<Major selection criteria>**

1. Enterprises **ranking in the top 500** of all the enterprises that answered the Survey on Health and Productivity Management in terms of scores derived from the overall rating system
2. Enterprises with an **average ROE (return on equity) that is 0% or higher for the past three years or has not declined for the past three consecutive years**
3. Enterprises **must not have committed any serious legal violations**

Note: Enterprises were also assessed on their ROE, response to the previous year’s survey, and **level of disclosure of management information to the public**, and based on these factors, a certain amount of additional points were given.
In March 2023, 49 companies in 31 industries were selected as "the 2023 Health & Productivity Stock Selection" for the 9th time.
The average stock price of the companies selected for the Health & Productivity Stock Selection 2021 was compared against TOPIX over the ten years from September 2011 to September 2021.

- The stock price of the companies selected for the brand has been outperforming TOPIX.

* The index was created from these companies’ closing prices as of the first day of each month until September 1, 2021, making the prices on September 1, 2011, the baseline (1.000).

* Four companies with no baseline data, such as newly listed companies, are excluded.
Collective disclosure of H&PM survey feedback sheets (evaluation results)

- Feedback sheets (evaluation results) are sent annually to companies responding to the health and productivity management Survey.
- On March 8, 2023, feedback sheets for 2,238 corporations (up 238 from the previous year) were collectively disclosed on the website “ACTION! KENKO-Keiei”.

<table>
<thead>
<tr>
<th>公式</th>
<th>株式会社 Nissui Co.</th>
<th>日本水産 (水産・農林)</th>
<th>11位</th>
<th>50位</th>
<th>654.6</th>
<th>65.5</th>
<th>67</th>
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<tbody>
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<td>55.5</td>
<td>55</td>
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</tbody>
</table>
Health and Productivity management as ESG

- H&PM is positioned as “S” in ESG (environment, society, and corporate governance). Institutional investors are also moving to incorporate into ESG evaluation criteria whether or not the companies have been certified as Health and Productivity Management Organizations in Japan.
- The revised Corporate Governance Code includes caring for the employees’ health and working environment. It also refers to the disclosure of information on investment in human capital in management strategy.

Positioning of Health Management in ESG investment

**Environmental (E)**
- climate change
- greenhouse gas (GHG) emissions
- resource depletion, including water
- waste and pollution
- deforestation

**Social (S)**
- working conditions, including slavery and child labour
- local communities, including indigenous communities
- conflict
  - health and safety
- employee relations and diversity

**Governance (G)**
- executive pay
- bribery and corruption
- political lobbying and donations
- board diversity and structure
- tax strategy

(Source: UNPRI website)

Corporate Governance Code

Chapter II. Appropriate collaboration with stakeholders other than shareholders


Chapter III. Ensuring appropriate information disclosure and transparency

[Principle 3 -1. Full Disclosure]
Effects of Health and Productivity Management Appear in the Following Order

Practice Health and Productivity Management
(Example)
- Medical Examination Rate
- Smoking rate
- Ratio of habitual athletes
- Percentage of habitual drinkers

Maintain and Promote Health
(Example)
- Proper weight maintenance rate
- Rate of blood pressure risk
- Rate of poorly controlled diabetes

Business Performance
(Labor productivity, motivation, etc.)

Business Performance and Corporate Value
(Example)
- Stock prices and market capitalization
- Operating income margin

Note: Non-health related factors such as job satisfaction, trust, and compensation for work are also involved.
Research on the relationship between H&PM and corporate performance

The link between corporate profits and health-related items

<table>
<thead>
<tr>
<th>Rank</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Percentage of smokers</td>
</tr>
<tr>
<td>2</td>
<td>Insurance business expenses</td>
</tr>
<tr>
<td>3</td>
<td>Percentage of salespeople</td>
</tr>
<tr>
<td>4</td>
<td>Percentage of people getting enough rest from sleep</td>
</tr>
<tr>
<td>5</td>
<td>Percentage of distribution, sales and service jobs</td>
</tr>
<tr>
<td>6</td>
<td>Medical expenses</td>
</tr>
<tr>
<td>7</td>
<td>Percentage of habitual partitioners</td>
</tr>
<tr>
<td>8</td>
<td>Statutory benefit fee</td>
</tr>
<tr>
<td>9</td>
<td>Number of job levers</td>
</tr>
<tr>
<td>10</td>
<td>Percentage of other departmental positions</td>
</tr>
</tbody>
</table>

"The associations of the national health and productivity management program with corporate profits in Japan"  
In assessing the E of ESG, there is a trend to consider not only the direct emissions of greenhouse gases by the company itself (Scope 1) but also the indirect emissions (Scope 2) and decarbonization of the entire supply chain and business activities (Scope 3).

The scope of Health & Productivity Management should also cover the “supply chain” and “society”.

(Source: “Green Value Chain Platform” of the Ministry of the Environment website)
Benefits of Health and Productivity Management in relationships with stakeholders

- **Workers**: Security and trust of employees and job seekers
- **Business Partner**: Trust from business partners
- **Consumers**: Preference for its products and services
- **Financial Institutions and Investors**: Credibility and reputation with financial institutions and investors
- **Community and Society**: Evaluation by municipalities, etc.

**Health and Productivity Management implementation companies**
Examples of Overseas Corporate Health Information Disclosure

The Workforce Disclosure Initiative, which was launched by institutional investors around the world in 2017 with financial support from the UK government, sends questionnaires to major companies worldwide, asking them to answer questions about their health, wages, diversity, and human resource development.

(53 institutional investors with a total of $7 trillion under management are participating)

- The number of respondents increased from 34 in 2017 to 141 in 2020. (Respondents were mainly from the U.K. (55 companies), France (17 companies), and the U.S. (16 companies), and three Japanese companies also responded.)

- Health questions include:
  - A corporate strategy for identifying and managing health and safety risks in the workplace.
  - Number and change of work-related accidents
  - A system for managing and reporting on mental health, including sick days.
  - Provision or non-provision of employee programs for health and well-being and its specific examples.
  - COVID-19 response (e.g., sick leave for employees who are not feeling well and economic protection at that time)

- According to the 2020 survey, 40% of the companies responded that “health, safety, and wellbeing” are “significant human rights issues.”

International dissemination of information on health and productivity management

- The spread of “H&PM (health investment in the workplace)” will lead to the improvement of individual vitality, sustainable growth of business and society, and the development of related industries such as healthcare.

- Japan will lead discussions in this area, and international events and research projects by the OECD will be conducted to foster international momentum, strengthen partnerships with other countries, and enhance Japan’s presence (contributing to the acquisition of human resources and investment, etc.).

Publication of research projects by OECD

- At the 5th WASS, the OECD Department of Employment, Labor and Social Affairs introduced the research project "Promoting Health and Well-being at Work," which was released on the same day.

- The report summarizes the needs for and examples of prevention and health promotion in the workplace, policy instruments of national governments to encourage it, and initiatives to promote information disclosure from an ESG and human capital investment perspective.

5th Well Aging Society Summit Asia-Japan

- On November 22, 2022, a session on H&PM, “International promotion of Health and Productivity Management based on Human Capital Formation” was held at the 5th WASS International Event.

- Attended by leaders of companies engaged in Health and Productivity Management, investors, and international organizations, the session discussed Health and Productivity Management initiatives as a foundation for human capital, services to support corporate health and productivity management, and evaluation in ESG investment.
At the 5th WASS “Health and Productivity Management Session”, the Department of Employment, Labor and Social Affairs released an international research report, “Promoting Health and Well-being at Work”.

investigative body
Health Care division, Employment, Labor and Social Affairs Department, Organization for Economic Cooperation and Development (OECD)

Date of publication
November 22, 2022

Overview
The study examined the impact of work on employee health and wellbeing, the potential for intervention in the workplace, government policy instruments in the G7 and three Asia-Pacific OECD countries, the importance of employee health promotion from the perspective of human capital and ESG investors, and initiatives related to information disclosure.

As for Japan’s Health and Productivity Management initiatives, the report introduces several of government-led certification and award programs at the national and local levels, and the "Health Management Award Program" launched by the Ministry of Economy, Trade and Industry is the largest award and certification program among the 10 countries covered in the survey.

Mr. Mark Pearson / Deputy Director, Department of Employment, Labor and Social Affairs, OECD

- Workplace health programs lead to employment and productivity improvements equivalent to an increase of 37,000 full-time workers per year. This means a return of $4 for every $1 invested.
- It is important for companies to disclose what they are doing, and if the indicators can be aligned, it will help investors make decisions.

Mr. Seiji Inagaki / President, Dai-ichi Life Holdings

- This is the era of VUCA, and employees need to be positive and resilient. We also see it as our mission to support H&PM not only for our employees, but also for our customers and society.
- There is growing momentum to view employee health as a corporate value, and Dai-ichi Life incorporates "H&PM stocks" as an important ESG factor in screening.

Ms. Mari Ogiso / Co-CEO, SDG Impact Japan Inc.

- Five years ago, "diversity" was not a focus much. Now, it has become an indicator that is attracting attention as evidence related to corporate value has increased. Similarly, "health" will become an indicator of interest in the future.

Mr. Laurent Scherr / Vice Chair, Healthcare Committee, OECD Business and Industry Advisory Committee (BIAC) (Vice President, Pernod Ricard Global Public Affairs and Alcohol in Society)

- It is important that the public and private sectors work together to effectively and efficiently promote the health and wellbeing of the population. Japan's "H&PM Award System" is a good example of this.

Ms. Kaori Takahashi, Editorial Writer, Nikkei Inc. and News Director, Nikkei CNBC *Moderator

The OECD research project "Promoting Health and Well-being at Work," which was released on the same day, was also introduced.
Growing international interest in health

Tokyo Nutrition for Growth (N4G) Summit 2021  7th December (Tue.)
“Workplace Health Investment as a Corporate Strategy -Potential of Health and Productivity Management”

- Opening speech by Minister of Economy, Trade and Industry, HAGIUDA Koichi,
  - By **strengthening the disclosure of such information**, we’re working to improve the environment so that all stakeholders, including local communities and investors, can evaluate health management initiatives of companies.
  - Health and Productivity Management (H&PM) regards people as a source for a competitive advantage of business to promote health of the employees. Japan has been a pioneer in this field, and will **continue to promote the benefits of health management to the world**.

- **NISHII Takaaki** / Ajinomoto Co., Inc, Representative Executive Officer, President & CEO
  - I would like to propose a **contribution to the supply chain**. Our business uses agricultural products from emerging countries for its raw materials, and in order to ensure a sustainable supply of these products, I think **it would be good to spread H&PM** as part of the support of agricultural workers further up the supply chain.

- **Boris Moutier** / AXA, Japan and Asia Chief Investment Officer
  - As part of our AXA comprehensive ESG approach to all our investment, health at work place is an important component of “S”. Health and Productivity Management is precisely a consideration when we review investment opportunities.

- **Ulrik Vestergaard Knudsen** / OECD, Deputy Secretary-General
  - Efforts to improve employee health improve the company's productivity and make employees happy and healthy. **It's a win-win-win**.

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**High Level Sessions**

- Opening speech by Prime Minister, KISHIDA Fumio
  - Japan is also determined to further improve the nutritional status of its people by promoting nutritional and environment-friendly dietary life, balanced diets, and health and productivity management, while also taking advantage of innovation, digitalization, and science and technology.
Utilization of Services in H&PM (Image)

- Under the concept of “investment in employees,” service providers → H&PM companies business opportunities expand.
- Improved health literacy, etc., service providers → will spill over to even individual employees and their families.
- Service linkage with private insurance supplemental plans, health promotion discounts, etc. is also possible.